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Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /154 W
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 4385
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY PARIS
US MISSION EC BRUSSELS
USMISSION OECD PARIS

C O N F I D E N T I A L ROME 5421

3.O. 11652: GDS
TAGS: ENRG, EEC, IT
SUBJECT: ENERGY: ITALIAN VIEWS ON RECENT ENERGY DEVELOPMENTS

1. BEGIN SUMMARY. MINISTRY OF INDUSTRY DIRECTOR GENERAL FOR ENERGY SOURCES, RISTAGNO, OFFERED US FOLLOWING VIEWS APRIL 17 ON RECENT PROPOSALS FOR A COMMUNITY ENERGY POLICY, ON PROGRESS BEING MADE IN ECG, AND ON PRESENT ITALIAN OIL SUPPLY SITUATION. END SUMMARY.

2. PROPOSALS ON EC ENERGY POLICY--RISTAGNO CHARACTERIZED AS AMBITIOUS AND ADMIARBLE RECENT EC COMMISSION GOAL (EC BRUSSELS 2149) THAT BY 1985 PROPORTIONAL SHARE OF PETROLEUM IN TOTAL
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COMMUNITY ENERGY CONSUMPTION BE REDUCED FROM CURRENT 60 PERCENT TO

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40 PERCENT. HE QUESTIONED, HOWEVER, THE FEASIBILITY OF SUCH A SIGNI-
FICANT SHIFT IN ENERGY SOURCES, NOTING THAT MUCH WILL DEPEND ON THE
CURRENTLY UNKNOWN FUTURE ALTERNATIVE COST OF CRUDE OIL. REGARDING
THE FRENCH PROPOSAL TO CREATE A NEW EC ENERGY AGENCY, RISTAGNO
STATED THAT GOI IS CAUTIOUSLY EXAMINING IT AND HAS AS YET TAKEN
NO POSITION. HE COMMENTED THAT HE IS PERSONALLY AGAINST IT,
NOTING ALSO THAT OTHER UNIDENTIFIED GOI SOURCES FEEL THAT IT
REPRESENTS A FRENCH POWER PLAY TO GAIN A MONOPOLY ON COMMUNITY
ENERGY SOURCES.

3. ENERGY COORDINATING GROUP--RISTAGNO EXPRESSED SATISFACTION
WITH HEADWAY BEING MADE, SINGLING OUT IN PARTICULAR EFFECTIVE
PRESENTATION OF US OVERVIEW BY UNDER SECRETARY DONALDSON AT
APRIL 3-4 ECG MEETING. RISTANGO THOUGHT IT BECOMING INCREASINGLY
APPARENT THAT AGREEMENT MUST BE REACHED WITHIN ECG ON CERTAIN
FUNDAMENTAL QUESTIONS--HE CITED CONSERVATION, EMERGENCY SHARTIN
AND STOCKPILING AS THE ESSENTIAL LEAST COMMON DENOMINATORS
--BEFORE OPENING DIALOGUE WITH PRODUCERS. IN ABSENCE OF SUCH
MINIMAL AGREEMENT, ANY CONSUMAR-PRODUCER MEETING WOULD BE A DISASTER

4. ITALIAN SUPPLY SITUATION--RISTAGNO CONFIRMED OUR UNDER-
STANDING THAT PRESENTLY SUPPLY SHORTFALL EXISTS ONLY FOR HEAVY FUEL
OIL, AND THIS DUE TO A PRICE PROBLEM RATHER THAN LACK OF CRUDE
SUPPLY (GOVERNMENT ESTABLISHED PRICE IS 35 LIRE/LITER AS OPPOSED
TO INTERNATIONAL MARKET PRICE OF 55-60 LIRE/LITER).
RISTAGNO COMMENTED THAT DESPITE ANTICIPATED 700,000 TON SHORTFALL
IN APRIL HEAVY FUEL OIL DELIVERIES, PROBLEMS ARISING TO DATE HAVE
BEEN RELATIVELY MINOR. HE ATTRIBUTED THIS TO A) CONSIDERABLE
AMOUNT OF FUEL OIL DESTINED FOR HEATING WHICH HAS BEEN SHIFTED
TO INDUSTRY USE BECAUSE OF UNSEASONABLY MILD WEATHER, B) GOVERN-
MENT AUTHORIZATION TO CERTAIN INDUSTRIAL USERS--INCLUSING FIAT--
TO DRAW DOWN MANDATORY STOCKPILES, AND C) FACT THAT AGIP HAS UN-
EXPECTEDLY STEPPED UP DELIVERIES THIS MONTH, MOST OF WHICH HAVE
GONE TO ENEL POWER STATION NETWORK, THE PRINCIPAL USER OF HEAVY
FUEL OIL (1.4 MIL. TONS IN APRIL). RISTAGNO ACKNOWEDGED, NEVERTHE-
LESS, THAT THE PROBLEM WILL CONTINUE TO EXIST UNTIL GOI TAKES ACTION
TO BRING INTERNAL MARKET PRICE MORE IN LINE WITH THAT IN OTHER
EUROPEAN MARKETS. RISTAGNO WAS ENCOURAGED BY IMPROVED GASOLINE
SITUATION, LARGELY TO REDUCE DEMAND FOLLOWING SHART 30 PERCENT
RETAIL PRICE INCREASE IN FEBRUARY. MARCH 1974 GASOLINE CONSUMPTION
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AT 730,000 TONS WAS DOWN 21.5 PERCENT FROM 930,000 TONS IN MARCH
1973. SUCH A DROP, RISTAGNO THOUGHT, COULD NOT BE ATTRIBUTED ALONE TO
THE ALTERNATE SUNDAY DRIVING BAN IN EFFECT. (LATTER MEASURE
IS THOUGHT TO BE SAVING NO MORE THAN 3-5 PERCENT ON GASOLINE CON-
SUMPTION). RISTAGNO WAS HOPEFUL THAT REDUCED GASOLINE CONSUMPTION
TREND WOULD CONTINUE IN MONTHS AHEAD, BEARING OUT HIS CONVICTION
THAT PRICE ALONE COULD SUFFICIENTLY CONSTRAIN CONSUMPTION. BEAUDRY

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